

House Committee on Government Reform Hearing

Acquisition Under Duress: Reconstruction Contracting in Iraq

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September 28, 2006

Good afternoon Mr. Chairman, Mr. Waxman, and Members of the Committee. I am Earnie Robbins, Senior Vice President of Parsons Infrastructure and Technology Group. I joined Parsons three years ago, and I serve as the Manager of our Infrastructure and Technology Group's International Division. Management of Parsons' Iraq Reconstruction projects falls under my Division.

As you may be aware, the Coalition Provisional Authority divided the Iraqi reconstruction effort into six Sectors. Parsons submitted proposals for several of these Sectors and in early 2004 was awarded Design-Build Prime Contracts in two of the six: Security & Justice (S&J); and Buildings/Education/Health (BEH). As the name implies, the awarded contracts involved two steps: first, to design the buildings and facilities, and second, to build or renovate them. As with all the Sector Design-Build reconstruction contracts, the Government awarded Parsons "Cost-Plus-Award-Fee" contracts. Quoting from The Government Contracts Reference Book, "Cost reimbursement contracts are typically used when the U.S. Government is unable to provide sufficient information for offerors to accurately determine a competitive price." Stating it another way, the Government typically uses cost-plus type contracts when the performance risks are high. Parsons understood there would be risk involved with these contracts but, as explained below, many of the challenges could not have been foreseen.

Before I explain the challenges and lessons learned, let me first identify for you what went right. I want to highlight three specific areas: our safety record; our hiring and training of Iraqis; and the projects we have completed.

Since contract award in March 2004, Parsons has exerted its best efforts to satisfy the requirements and expectations of the US Government. While no one can be pleased with the way some projects concluded, there are indeed many successes to be counted. We repaired or rebuilt several large Iraqi Ministry facilities and judicial facilities; repaired and improved 12 hospitals; constructed 119 border forts in far-flung, remote (to the point of almost inaccessible) locations; built 5 border Points of Entry; constructed 54 fire stations; and even the Public Health Clinic program was well on its way to having additional successes before the Government terminated for convenience the contract with just 20 facilities completed.

The Government, by contract, measured our safety performance. We are proud that Parsons consistently achieved safety metrics that exceed the average for companies performing construction within the United States. In the process, we constantly stressed the need for personal and collective safety on hazardous construction sites.

In addition to these “brick and mortar” achievements, Parsons successfully achieved another aspect of reconstruction; that is, the training, educating, and employing of Iraqis. The Government required Design-Build Prime Contractors to provide measurable contributions to “capacity building” within the Iraqi private sector. This was

defined as promoting the growth and modernization of the Iraqi engineering and construction sector, which had been in something of a technological and management time warp for several decades as a result of Saddam Hussein's corrupt and repressive regime. Parsons aggressively met our responsibilities in this area from the earliest stages of our arrival in Iraq. For every US engineer or related professional we deployed to manage these contracts, we hired approximately four Iraqi engineers, architects, planners, accountants, inspectors, or schedulers. At the high point of our presence in-country on these two contracts, we had 140 expatriate employees and 600 Iraqis working side-by-side with us. Through hands-on and classroom-type training, we introduced Iraqis to contemporary engineering and management processes and techniques, including US approaches to project safety, quality control, contract administration, finance, design procedures and standards.

As noted by the Corps of Engineers and other Government agencies, the ability of some segments and individuals within the Iraqi engineering and construction communities to absorb and, particularly, to apply these Western ways of doing business proved to be problematic. The concepts of competitive contracting, transparent business practices, detailed documentation regarding invoices, and even rudimentary job-site safety were all alien to the majority of Iraqis. Add the issues of personal security due to the rising tide of terrorism and sectarianism to the formula, and the desired results became increasingly difficult for anyone, either Parsons or the Government, to attain. Despite our recognized achievements in "capacity building," we encountered a shortage of Iraqi managers and skilled craftsmen. This was particularly challenging given the

firms, and at the peak of construction we had over 11,000 Iraqis employed on Security and Justice and BEH projects. Even the day-to-day oversight of those Iraqi subcontractors was, as a result of cost and security reasons, conducted almost entirely by Iraqis hired and trained by Parsons.

As the Corps of Engineers, the Inspector General, various other Government agencies, and the media have noted, the reconstruction efforts in Iraq have encountered many problems from the outset. In the case of our two Design-Build contracts, the challenges far surpassed anything predicted. It is with deep regret and frustration that these projects could not be finished as intended.

The Government's requirement that we rely on Iraqi construction firms and even, to some extent, our required dependency on Iraqis to assist us in managing those subcontractors, made us extremely vulnerable to adverse schedule and cost impacts as the security situation deteriorated. As the Special IG has noted in previous reports, the presumption made by the Government and accepted by Parsons was that the security situation would be "permissive." That environment simply did not materialize. Our subcontractors and our Iraqi staff were subject to constant threats of injury or even death, to themselves and their families, and our US national employees who also lived and worked under extreme duress. One of our Iraqi task managers was murdered on site. Our materials were stolen with demands that we pay ransom for their return. We had to negotiate with tribal leaders to secure laborers and to ensure "protection" at the work site. Our management team of expatriates and Iraqis were subjected to increasing danger when

traveling to job sites, as well as when living and working in the International Zone, where there were direct hits by rocket fire on our office and living accommodations. Despite all these challenges, we made progress and exerted our best effort to get the job done without sacrificing the safety of our employees, both expatriates and Iraqis.

The third challenge I will address today was the well-documented and constant turnover of US Government managers. This resulted in an endless stream of changes in priorities, expectations, direction, and procedures. We experienced frequent scope and schedule changes from the Government without any willingness to increase the funding.

Finally, I want to address the inference made by some that Parsons “walked away” from the Public Healthcare Clinics (PHCs) after completing only 20 of the 150 under contract. That is not accurate. The Government terminated our task orders for convenience. At that time, we had completed twenty PHCs, with 35 additional clinics between 75-100% complete, and an additional 66 between 50-75% constructed.

Parsons wanted to complete these projects, but the U.S. Government apparently decided it could complete them faster and cheaper by other means, including in some cases direct contracts to the same subcontractors Parsons had employed.

In summary, we are proud of the role Parsons has played in assisting the US Government and the Iraqi people in the reconstruction effort. The men and women who worked for Parsons and for many other contractors present in Iraq have endured the daily

danger, family separation, and lack of personal comfort and convenience that come with working in a combat zone, and they have, for the most part, received little credit or appreciation for doing so. When the final stories of the Iraq reconstruction are told, their efforts will hopefully be more objectively recognized and appreciated.